

**WASHINGTON COUNTY SCHOOL DISTRICT
AUDIT REPORT
YEAR ENDED JUNE 30, 2008**

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September 22, 2008

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Washington County School District
Springfield, Kentucky

We have audited the accompanying basic financial statements of the Washington County School District as of June 30, 2008, and for the year then ended, as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for Schools District Audits in Appendix I of the Independent Auditor's Contract – General Audit Requirements, Appendix II of the Independent Auditor's Contract – State Audit Requirements, and Appendix III of the Independent Auditor's Contract – Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements present fairly, in all material respects, the financial position of the District as of June 30, 2008, and the results of its operations and the cash flows of its business type activities for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2008, on our consideration of Washington County School District's internal control over financial reporting and a report dated September 22, 2008, on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on Pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The additional information shown on Pages 34 through 37 is presented for the purpose of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards on Pages 38 and 39 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sincerely,

Certified Public Accountants

**WASHINGTON COUNTY PUBLIC SCHOOL DISTRICT – SPRINGFIELD, KENTUCKY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

As management of the Washington County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$2,391,166. The ending general fund balance was \$2,739,233.
- The board approved a second recallable nickel tax for building purposes. The tax was not recalled and was put into effect in 2007-08. The second nickel was matched by the state government at 25% for this year, and will be matched 50% the following year and 100% for years thereafter.
- Interest income rose slightly at 2% from prior year, with an average annual rate of 5.16%. Rates declined during the year from a high of 6.62% APY to a low of 3.26% APY.
- Revenue rose 8% due to the increase in ad valorem tax, utility tax, state SEEK and state reimbursement revenue. Enrollment declined 4.2% from 1,833 in 2006-07 to 1,756 in 2007-08. The majority of this decrease was due to the declining enrollment at Washington County High School and Fredericktown Elementary School.
- The district remains committed to increasing teacher and classified salaries. Salaries increased for certified employees by \$3,000 plus 2 additional days and for classified by 5%.
- The General Fund had \$14.3 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Excluding building fund transfers, there were \$13.5 million in General Fund expenditures.

FACILITIES AND CONSTRUCTION HIGHLIGHTS

- State law requires districts to update a priority list of construction and renovation needs, called a Local Facilities Plan, every four years. The document guides the allocation of School Facilities Construction Commission dollars. The district updated its facilities plan during fiscal year 2006-07 to include renovations to Washington County High School and Washington County Elementary School, as well as other construction renovations, to reach a district unmet need of \$16 million.
- Bonds are issued as the district renovates facilities consistent with a long-range facilities plan that is established with community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. In 2007-08, Bonds 1996, 1997A & B, and 1998 were refunded for a savings to the district of \$370,660.
- The board purchased 16.532 acres of land adjoining its current high school, middle school and elementary school campus to be used for future use as athletic fields.
- Plans were initiated to replace the roof at Washington County Elementary School due to the extremely poor condition of the existing roof, as recommended by architects that specialize in

roofing. \$298,500 was transferred from general fund to construction fund for this purpose. Work on this project will begin in October, 2008.

- Upon recommendations from a safety audit, new doors for Washington County High School and Washington County Elementary School were installed with keyless card entry at a cost of \$207,000. The project was 70% complete at the end of 2007-08 with expected completion to be in October, 2008.
- The board is in the process of selecting an architect to develop a master plan for the Springfield campus, both facilities and athletic fields, containing the high school, middle school, and elementary school. This master plan should be completed in 2008-09.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operation. The only fiduciary fund is scholarship fund. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$13.5 million as of June 30, 2008.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ending June 30, 2008

The following table shows comparative data of assets, liabilities and net assets for the last year and the current year.

	<u>2006-07</u>	<u>2007-08</u>
Current Assets	\$ 5,944,137	\$ 7,056,793
Noncurrent Assets	13,718,692	13,756,764
Total Assets	<u>\$19,662,829</u>	<u>\$20,813,557</u>
Current Liabilities	641,543	833,108
Noncurrent Liabilities	6,585,828	6,469,015
Total Liabilities	<u>\$ 7,227,371</u>	<u>\$ 7,302,123</u>
Net Assets		
Invest in capital assets (net of debt)	6,878,692	6,971,764
Restricted	3,073,254	3,751,839
Unreserved Fund Balance	2,483,512	2,787,831
Total Net Assets	<u>\$12,435,458</u>	<u>\$13,511,434</u>

The district implemented GASB 34 and recorded fixed assets and debt for the first time in fiscal year 2003-04.

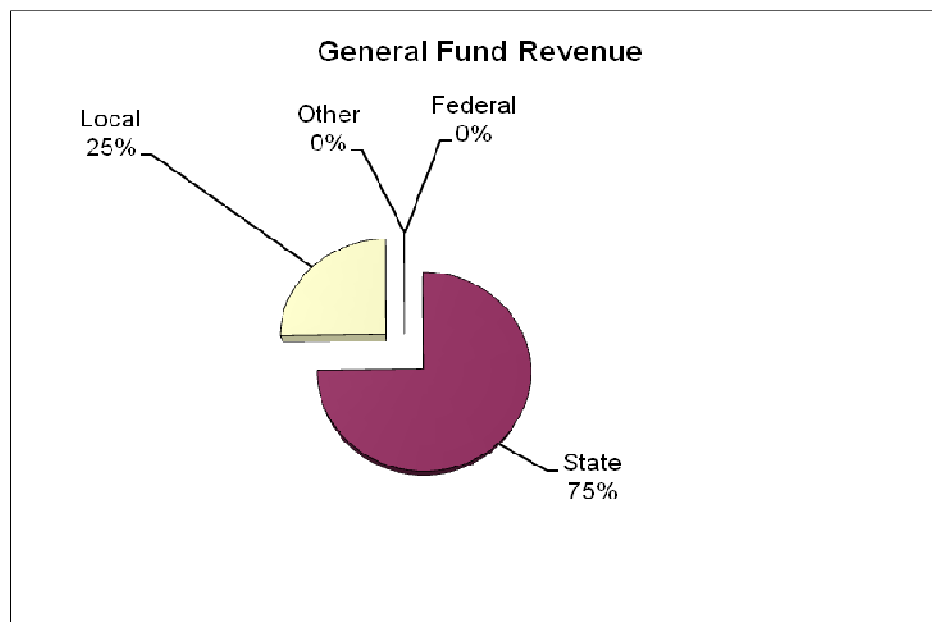
On-Behalf Payments

The State of Kentucky makes on-behalf payments for school districts in areas of health and life insurance, and retirement benefits. For the first time, in 2003-04 these payments were entered into Munis. The following table presents a summary of the on-behalf payments.

On-Behalf Distribution 2007-08	
Health Insurance and Life Insurance	\$ 1,598,952
Kentucky Teachers Retirement	884,105
Area Technology Center	72,268
Total On-Behalf Payments	\$ 2,555,325

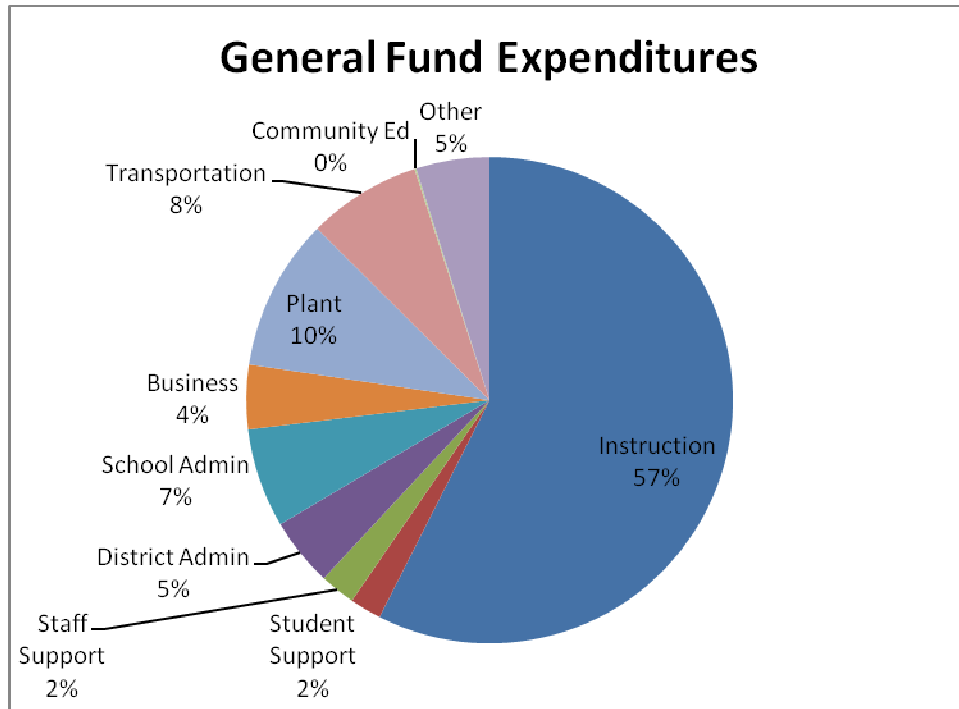
General Fund Revenue

The majority of revenue was derived from state funding at 75%, with local taxes making up 25%. See the chart below.



General Fund Expenditures

Site Based Decision Making Councils expended about sixty percent of the general fund budget; the majority of the non-SBDM funds (10%) were spent serving children with special needs. The remaining thirty percent was expended for district support services. A breakdown of these expenditures is found in the chart below.



BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs (i.e. some federal) operate on a different fiscal calendar, but are reflected in the district overall budget. By law the budget must have a minimum 2% contingency. The district adopted a budget with \$1,583,609 in contingency (10%). The beginning cash balance for beginning the fiscal year was \$2.1 million. Significant Board action that impacts the finances include state mandated salary increases of \$3000 for certified employees plus the addition of two days and 5% for classified employees, full day kindergarten and preschool, nursing services, district and in-school alternative programs, increased staff for special needs children, school allocations for transportation and custodial supplies, and additional staff for all schools.

Questions regarding this report should be directed to Robert Stafford, Superintendent, or to Ruth Ann Cocanougher, Director of Financial Services, (859) 336-5470 or by mail at 120 Mackville Hill, Springfield, Kentucky 40069.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	6,069,203		6,069,203
Accounts Receivable:			
Taxes - Current	82,887		82,887
Taxes - Delinquent	15,704		15,704
Accounts	17,222		17,222
Intergovernmental - State	114,255		114,255
Intergovernmental - Federal	533,687	59,869	593,556
Bond Issue Costs	152,524		152,524
Prepaid Expenses			0
Inventories for Consumption		11,442	11,442
Total Current Assets	6,985,482	71,311	7,056,793
Noncurrent Assets - Note F			
Land	1,061,074		1,061,074
Buildings & Improvements	15,321,078		15,321,078
Technology Equipment	1,535,223		1,535,223
Vehicles	1,932,441		1,932,441
General Equipment	786,465	322,359	1,108,824
Construction In Progress	169,214		169,214
Less: Accumulated Depreciation	(7,106,942)	(264,148)	(7,371,090)
Total Noncurrent Assets	13,698,553	58,211	13,756,764
TOTAL ASSETS	20,684,035	129,522	20,813,557
LIABILITIES:			
Current Liabilities:			
Accounts Payable	38,436	57,045	95,481
Deferred Revenues	239,436		239,436
Bond Obligations - Note E	380,000		380,000
Accrued Sick Leave - Note A	64,014		64,014
Accrued Interest Payable	54,177		54,177
Total Current Liabilities	776,063	57,045	833,108
Noncurrent Liabilities:			
Bond Obligations - Note E	6,405,000		6,405,000
Accrued Sick Leave - Note A	64,015		64,015
Total Noncurrent Liabilities	6,469,015		6,469,015
TOTAL LIABILITIES	7,245,078	57,045	7,302,123
NET ASSETS:			
Invested in Net Assets, Net of Related Debt	6,913,553	58,211	6,971,764
Restricted for:			
Capital Projects	3,750,685		3,750,685
School Based Decision Making			
Other Purposes	1,154		1,154
Unrestricted	2,773,565	14,266	2,787,831
TOTAL NET ASSETS	13,438,957	72,477	13,511,434
TOTAL LIABILITIES AND NET ASSETS	20,684,035	129,522	20,813,557

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTION/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	10,212,702	1,600	1,856,688		(8,354,414)		(8,354,414)
Student Support Services	310,836		13,743		(297,093)		(297,093)
Staff Support Services	471,707		178,243		(293,464)		(293,464)
District Administration	815,243		177,629		(637,614)		(637,614)
School Administration	927,522				(927,522)		(927,522)
Business Support Services	678,335		74,442		(603,893)		(603,893)
Plant Operation & Maintenance	1,411,707				(1,411,707)		(1,411,707)
Student Transportation	1,172,615	27,710	37,685		(1,107,220)		(1,107,220)
Central Office	871				(871)		(871)
Community Service Operations	347,301		326,536		(20,765)		(20,765)
Facilities Acquisition & Construction				400,967	400,967		400,967
Interest on Long-Term Debt	508,811				(508,811)		(508,811)
TOTAL GOVERNMENTAL ACTIVITIES	16,857,650	29,310	2,664,966	400,967	(13,762,407)		(13,762,407)
BUSINESS-TYPE ACTIVITIES:							
Food Service	994,930	306,305	594,417			(94,208)	(94,208)
TOTAL BUSINESS-TYPE ACTIVITIES	994,930	306,305	594,417	0	0	(94,208)	(94,208)
TOTAL SCHOOL DISTRICT	17,852,580	335,615	3,259,383	400,967	(13,762,407)	(94,208)	(13,856,615)
GENERAL REVENUES:							
Taxes					3,663,326		3,663,326
State Aid - Formula Grants					10,804,569		10,804,569
Investment Earnings					393,048	6,880	399,928
Miscellaneous					37,324	10,887	48,211
SPECIAL ITEMS:							
Gain(Loss) Sale of Assets					10,845		10,845
Loss Compensation					5,712		5,712
Transfers							0
TOTAL GENERAL & SPECIAL					14,914,824	17,767	14,932,591
CHANGE IN NET ASSETS							
NET ASSETS - BEGINNING					1,152,417	(76,441)	1,075,976
NET ASSETS - ENDING					12,286,540	148,918	12,435,458

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & Cash Equivalents	2,725,870	(408,506)	1,870,935	1,036,300	844,604	6,069,203
Accounts Receivable:						
Taxes - Current	82,887					82,887
Taxes - Delinquent	15,704					15,704
Accounts	17,222					17,222
Intergovernmental - State		114,255				114,255
Intergovernmental - Federal		533,687				533,687
TOTAL ASSETS	<u>2,841,683</u>	<u>239,436</u>	<u>1,870,935</u>	<u>1,036,300</u>	<u>844,604</u>	<u>6,832,958</u>
LIABILITIES AND FUND BALANCE:						
Liabilities:						
Accounts Payable	38,436					38,436
Accrued Sick Leave	64,014					64,014
Deferred Revenues		239,436				239,436
Total Liabilities	<u>102,450</u>	<u>239,436</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>341,886</u>
Fund Balance:						
Reserved for:						
Encumbrances						0
Site-Based Carryforward						0
Accrued Sick Leave	64,015					64,015
Unreserved:						
Unreserved - Reported in Non-Major					162,790	162,790
Capital Projects Fund			1,549,914	842,680	680,660	3,073,254
Debt Service Fund					1,154	1,154
Other Purposes	2,675,218		321,021	193,620		3,189,859
Total Fund Balance	<u>2,739,233</u>	<u>0</u>	<u>1,870,935</u>	<u>1,036,300</u>	<u>844,604</u>	<u>6,491,072</u>
TOTAL LIABILITIES AND NET ASSETS	<u>2,841,683</u>	<u>239,436</u>	<u>1,870,935</u>	<u>1,036,300</u>	<u>844,604</u>	<u>6,832,958</u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

TOTAL GOVERNMENTAL FUND BALANCE		6,491,072
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	20,805,495	
Accumulated Depreciation	<u>(7,106,942)</u>	13,698,553
Bond Issuance Costs		152,524
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(6,785,000)	
Accrued Interest on Bonds	(54,177)	
Accrued Sick Leave	<u>(64,015)</u>	<u>(6,903,192)</u>
TOTAL NET ASSETS - GOVERNMENTAL		<u><u>13,438,957</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	SPECIAL FUND	BUILDING FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Taxes	3,102,708		560,618			3,663,326
Earnings on Investments	381,118	3,577	8,353			393,048
Intergovernmental - State	10,687,833	972,798	238,177		279,527	12,178,335
Intergovernmental - Federal		1,588,477				1,588,477
Other Sources	115,363	94,736				210,099
TOTAL REVENUES	14,287,022	2,659,588	807,148	0	279,527	18,033,285
EXPENDITURES:						
Instructional	8,011,172	1,877,852				9,889,024
Student Support Services	293,499	13,743				307,242
Staff Support Services	327,517	178,243				505,760
District Administration	634,682	177,629				812,311
School Administration	919,402					919,402
Business Support Services	595,874	74,442				670,316
Plant Operation & Maintenance	1,409,154					1,409,154
Student Transportation	1,051,580	32,306				1,083,886
Central Office						0
Food Service Operation						
Community Service Operations	14,502	326,536				341,038
Other						0
Facilities Acquisition & Construction	297,576			169,214		466,790
Debt Service:						
Principal					4,760,000	4,760,000
Interest					449,293	449,293
TOTAL EXPENDITURES	13,554,958	2,680,751	0	169,214	5,209,293	21,614,216
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	732,064	(21,163)	807,148	(169,214)	(4,929,766)	(3,580,931)
OTHER FINANCING SOURCES(USES):						
Proceeds from Sale of Bonds					4,607,583	4,607,583
Proceeds from Sale of Assets						0
Operating Transfers In - Note N		21,163		362,834	486,127	870,124
Operating Transfers Out - Note N	(383,997)		(486,127)			(870,124)
TOTAL OTHER FINANCING SOURCES	(383,997)	21,163	(486,127)	362,834	5,093,710	4,607,583
NET CHANGE IN FUND BALANCES	348,067	0	321,021	193,620	163,944	1,026,652
FUND BALANCES - BEGINNING	2,391,166	0	1,549,914	842,680	680,660	5,464,420
FUND BALANCES - ENDING	2,739,233	0	1,870,935	1,036,300	844,604	6,491,072

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

NET CHANGES - GOVERNMENTAL FUNDS		1,026,652
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(637,330)	
Capital Outlays	<u>693,419</u>	56,089
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.		
Principal Paid	4,760,000	
Bond Proceeds	<u>(4,607,583)</u>	152,417
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
Prepaid Expenses		
Amortization Bond Issuance Cost	(110,808)	
Accrued Interest Payable	51,290	
Accrued Sick Leave	<u>(18,187)</u>	(77,705)
In the statement of activities the net gain on the sale/disposal of assets is reported whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net assets differs from change in fund balances by the cost of the asset sold.		
Loss - Sale of Assets	<u>(5,036)</u>	(5,036)
CHANGES - NET ASSETS GOVERNMENTAL FUNDS		<u><u>1,152,417</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	2,697,000	2,697,000	3,102,708	405,708
Earnings on Investments	300,000	300,000	381,118	81,118
State Sources	8,341,622	8,341,622	10,687,833	2,346,211
Federal Sources				0
Other Sources	29,000	29,000	115,363	86,363
TOTAL REVENUES	<u>11,367,622</u>	<u>11,367,622</u>	<u>14,287,022</u>	<u>2,919,400</u>
EXPENDITURES:				
Instructional	6,684,542	6,684,542	8,011,172	(1,326,630)
Student Support Services	220,256	220,256	293,499	(73,243)
Staff Support Services	313,876	313,876	327,517	(13,641)
District Administration	644,341	644,341	634,682	9,659
School Administration	793,915	793,915	919,402	(125,487)
Business Support Services	558,268	558,268	595,874	(37,606)
Plant Operation & Maintenance	1,230,699	1,230,699	1,409,154	(178,455)
Student Transportation	959,784	959,784	1,051,580	(91,796)
Central Office				0
Food Service Operation				0
Community Service Operations	13,332	13,332	14,502	(1,170)
Facility Acquisition & Construction			297,576	(297,576)
Other	2,048,609	2,048,609	383,997	1,664,612
TOTAL EXPENDITURES	<u>13,467,622</u>	<u>13,467,622</u>	<u>13,938,955</u>	<u>(471,333)</u>
NET CHANGE IN FUND BALANCE	(2,100,000)	(2,100,000)	348,067	2,448,067
FUND BALANCES - BEGINNING	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,391,166</u>	<u>(291,166)</u>
FUND BALANCES - ENDING	<u>0</u>	<u>0</u>	<u>2,739,233</u>	<u>2,156,901</u>

On-behalf payments totaling \$ 2,482,744 are not budgeted by the Washington County School District.

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes				
Other Local Sources	21,225	32,592	94,736	62,144
State Sources	972,967	973,535	972,798	(737)
Federal Sources	1,284,400	1,294,400	1,588,477	294,077
Other Sources			24,740	24,740
TOTAL REVENUES	<u>2,278,592</u>	<u>2,300,527</u>	<u>2,680,751</u>	<u>380,224</u>
EXPENDITURES:				
Instructional	1,735,315	1,747,250	1,877,852	(130,602)
Student Support Services	15,225	15,225	13,743	1,482
Staff Support Services	133,839	133,839	178,243	(44,404)
District Administration	63,598	73,598	177,629	(104,031)
School Administration				0
Business Support Services			74,442	(74,442)
Plant Operation & Maintenance				0
Student Transportation	25,085	25,085	32,306	(7,221)
Central Office				0
Community Service Operations	305,530	305,530	326,536	(21,006)
Facility Acquisition & Construction				0
Other				0
TOTAL EXPENDITURES	<u>2,278,592</u>	<u>2,300,527</u>	<u>2,680,751</u>	<u>(380,224)</u>
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
ASSETS:			
Current Assets:			
Cash & Cash Equivalents			0
Investments			0
Accounts Receivable	59,869		59,869
Inventories for Consumption	11,442		11,442
Total Current Assets	71,311	0	71,311
Noncurrent Assets:			
Furniture & Equipment	322,359		322,359
Less: Accumulated Depreciation	(264,148)		(264,148)
Total Noncurrent Assets	58,211	0	58,211
TOTAL ASSETS	129,522	0	129,522
LIABILITIES:			
Current Liabilities:			
Account Payable	57,045		57,045
Accrued Sick Leave			0
Total Current Liabilities	57,045	0	57,045
Net Assets:			
Invested in Assets, Net of Debt	58,211		58,211
Unrestricted	14,266		14,266
Total Net Assets	72,477	0	72,477
TOTAL LIABILITIES AND NET ASSETS	129,522	0	129,522

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	ENTERPRISE FUNDS		
	FOOD SERVICE	OTHER ENTERPRISE FUNDS	TOTAL
OPERATING REVENUES:			
Lunchroom Sales	306,305	0	306,305
Other Operating Revenues	10,887	0	10,887
TOTAL OPERATING REVENUES	317,192	0	317,192
OPERATING EXPENSES:			
Salaries & Benefits	543,752	0	543,752
Contract Services	26,943	0	26,943
Materials & Supplies	481,115	0	481,115
Depreciation - Note F	14,777	0	14,777
Other Operating Expenses	926	0	926
TOTAL OPERATING EXPENSES	1,067,513	0	1,067,513
OPERATING INCOME(LOSS)	(750,321)	0	(750,321)
NONOPERATING REVENUES(EXPENSES):			
Federal Grants	531,919	0	531,919
State Grants	83,177	0	83,177
Donated Commodities	51,904	0	51,904
Interest Income	6,880	0	6,880
TOTAL NONOPERATING REVENUE	673,880	0	673,880
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(76,441)	0	(76,441)
Transfers In	0	0	0
Transfers Out	0	0	0
CAPITAL CONTRIBUTIONS	0	0	0
CHANGE IN NET ASSETS	(76,441)	0	(76,441)
TOTAL NET ASSETS - BEGINNING	148,918	0	148,918
TOTAL NET ASSETS - ENDING	72,477	0	72,477

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from:	
Lunchroom Sales	317,192
Cash Paid to/for:	
Employees	(471,169)
Supplies	(423,999)
Other Activities	(27,869)
	<u>(605,845)</u>

Net Cash Used by Operating Activities	(605,845)
---------------------------------------	-----------

CASH FLOWS FROM NON-CAPITAL AND RELATED
FINANCING ACTIVITIES:

Federal Grants	472,050
State Grants	10,594
	<u>482,644</u>

Net Cash Provided by Financing Activities	482,644
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CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:

Purchases of Capital Assets	(1,796)
-----------------------------	---------

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest Income	6,880
	<u>6,880</u>

Net Decrease in Cash and Cash Equivalents	(118,117)
---	-----------

Balances, Beginning of Year	61,072
	<u>61,072</u>

Balances, End of Year	(57,045)
	<u><u>(57,045)</u></u>

RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES:

Operating Loss	(750,321)
----------------	-----------

Adjustments to Reconcile Operating Loss to Net Cash (Used)
by Operating Activities

Depreciation	14,777
State On-Behalf Payments	72,583
Donated Commodities	51,904
Change in Assets and Liabilities:	
Inventory	5,212
	<u>5,212</u>

Net Cash Used by Operating Activities	(605,845)
	<u><u>(605,845)</u></u>

Schedule of Non-Cash Transactions:

Donated Commodities	51,904
State On-Behalf Payments	72,583

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUND</u>
ASSETS:		
Cash and Cash Equivalents	660	146,172
Accounts Receivable		
Investment Income Receivable		
Loans Receivable		
Investments - Note D	<u>6,620</u>	
TOTAL ASSETS	<u>7,280</u>	<u>146,172</u>
LIABILITIES:		
Accounts Payable		371
Due to Student Groups		145,801
TOTAL LIABILITIES	<u>0</u>	<u>146,172</u>
NET ASSETS HELD IN TRUST	<u><u>7,280</u></u>	<u><u>0</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Net Interest and Investment Gains(Losses)	121
DEDUCTIONS:	
Benefits Paid	<u>0</u>
Changes in Net Assets	121
NET ASSETS - BEGINNING OF YEAR	<u>7,159</u>
NET ASSETS - END OF YEAR	<u><u>7,280</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Washington County Board of Education (“Board”), a five-member group, is the level of government, which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Washington County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Washington County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Washington County Board of Education Finance Corporation – On August 15, 1995, the Washington County Board of Education resolved to authorize the establishment of the Washington County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards included in this report on Pages 40 and 41. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- B. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were \$0.507 per \$100 valuation for real property, \$0.444 per \$100 valuation for business personal property, and \$0.5500 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Assets.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$6,215,375. Of the total cash balance, \$101,154 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents at June 30, 2008, consisted of the following:

	Bank Balance	Book Balance
Springfield State Bank	7,936,687	6,216,035

Breakdown per financial statements:

Governmental Funds	7,785,934	6,069,203
Proprietary Funds	-	-
Private Purpose Trust Funds	660	660
Agency Funds	<u>150,093</u>	<u>146,172</u>
	7,936,687	6,216,035

NOTE D – INVESTMENTS

The following is a comparison of the cost and fair value of investments held in trust at June 30, 2008:

	Cost	Fair Value
Private Purpose Trust Fund	5,454	6,621

NOTE E – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease payments relating to the bonds issued by the Fiscal Court of Washington County aggregating \$6,785,000.

The original amount of each issue and interest rates are summarized below:

1998	330,000	3.70% - 5.125%
1998	5,120,000	3.70% - 5.00%
2003	2,115,000	2.00% - 4.30%
2008	795,000	2.30% - 3.20%
2008	3,910,000	2.50% - 4.00%

The District, through the General Fund (including utility taxes and the SEEK Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Washington County Fiscal Court and the City of Springfield to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In 1995 the Board entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2008 for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2008-09	380,000	200,196	116,736	463,460
2009-10	365,000	212,644	116,735	460,909
2010-11	370,000	201,821	116,735	455,087
2011-12	380,000	192,077	116,736	455,340
2012-13	400,000	180,950	116,734	464,216
2013-14	410,000	168,351	116,735	461,616
2014-15	420,000	154,946	116,735	458,211
2015-16	430,000	140,990	116,736	454,254
2016-17	445,000	126,279	112,810	458,468
2017-18	425,000	111,119	69,191	466,928
2018-19	435,000	95,645	63,180	467,465
2019-20	430,000	79,908	48,360	461,547
2020-21	455,000	63,643	48,361	470,282
2021-22	470,000	46,398	48,360	468,038
2022-23	480,000	28,341	48,360	459,981
2023-24	490,000	9,545	38,725	460,820
	<u>6,785,000</u>	<u>2,012,853</u>	<u>1,411,229</u>	<u>7,386,622</u>

NOTE E - BONDED DEBT AND LEASE OBLIGATIONS

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Primary Government					
Governmental Activities:					
Revenue Bond Payable	6,840,000	4,705,000	4,760,000	6,785,000	380,000
Accrued Sick Leave	<u>91,656</u>	<u>36,373</u>	<u>0</u>	<u>128,029</u>	<u>64,014</u>
Governmental Activities					
Long-Term Liabilities	<u>6,931,656</u>	<u>4,741,373</u>	<u>4,760,000</u>	<u>6,913,029</u>	<u>444,014</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	BEGINNING			ENDING
	BALANCE	ADDITIONS	RETIREMENTS	BALANCE
GOVERNMENTAL ACTIVITIES:				
Land	763,498	297,576		1,061,074
Buildings & Building Improvements	15,321,078			15,321,078
Technology Equipment	1,444,536	186,269	(95,582)	1,535,223
Vehicles	1,932,441			1,932,441
General Equipment	755,968	40,360	(9,863)	786,465
Construction	0	169,214		169,214
TOTAL AT HISTORICAL COST	20,217,521	693,419	(105,445)	20,805,495
LESS ACCUMULATED DEPRECIATION FOR:				
Land	324,125			324,125
Buildings & Building Improvements	3,274,476	358,386		3,632,862
Technology Equipment	1,038,957	156,337	(90,546)	1,104,748
Vehicles	1,426,259	88,729		1,514,988
General Equipment	506,204	33,878	(9,863)	530,219
Construction	0			0
TOTAL ACCUMULATED DEPRECIATION	6,570,021	637,330	(100,409)	7,106,942
GOVERNMENTAL ACTIVITIES CAPITAL NET	13,647,500	56,089	(5,036)	13,698,553
PROPRIETARY ACTIVITIES:				
Land	0			0
Buildings & Building Improvements	0			0
Technology Equipment	12,639	1,796	(659)	13,776
Vehicles	0			0
General Equipment	308,583			308,583
Construction	0			0
TOTALS AT HISTORICAL COST	321,222	1,796	(659)	322,359
LESS ACCUMULATED DEPRECIATION FOR:				
Land	0			0
Buildings & Building Improvements	0			0
Technology Equipment	12,639	210	(659)	12,190
Vehicles	0			0
General Equipment	237,391	14,567		251,958
Construction	0			0
TOTAL ACCUMULATED DEPRECIATION	250,030	14,777	(659)	264,148
PROPRIETARY ACTIVITIES CAPITAL NET	71,192	(12,981)	0	58,211
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				460,595
Student Support Services				3,595
Staff Support Services				26,692
District Administration				9,110
School Administration				12,667
Business Support Services				10,657
Plant Operation & Maintenance				18,153
Student Transportation				88,728
Central Office				871
Community Service Operations				6,262
TOTAL				637,330

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2008, as follows:

Year ending June 30:

2009	9,939
2010	4,477
2011	5,652
2012	3,100
2013	<u>2,326</u>
Total minimum payments	<u>25,494</u>

NOTE H – RETIREMENT PLANS

Certified employees are covered under the Teachers' Retirement System of Kentucky ("KTRS"), a cost sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and public educational agencies in Kentucky.

KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601.

Contribution rates are established by KRS. Members are required to contribute 9.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education (KDE)

Substantially all other employees (classified personnel) are covered under the County Employee's Retirement System ("CERS"), a cost sharing, multiple-employer, public employers retirement system. Funding for the Plan is provided through payroll withholdings of 5% and a Board contribution of 16.17% of the employee's total compensation subject to contribution.

The Board's total payroll for the year was \$9,707,291. The payroll for employees covered under KTRS was \$7,211,605 and for CERS was \$2,495,686.

For the year ended June 30, 2008, the Commonwealth contributed \$884,106 KTRS for the benefit of our participating employees. The School District's contributions to KTRS for the year ending June 30, 2008 were \$67,106, which represents those employees covered by federal programs.

The contribution requirements for CERS for the year ended June 30, 2008, was \$528,866, which consisted of \$403,553 from the Board and \$125,313 from the employees.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the Plan documents.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increased and step-rate benefits, estimated to be

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligation for individual employers. The following tables present certain information regarding the plans' status as a whole, derived from actuarial valuations performed as of the dates indicated:

	KTRS June 30, 2007	CERS June 30, 2007
Assets available for benefits, at fair value	15,284,955,000	5,467,824,480
Pension benefit obligation	<u>(21,254,974,000)</u>	<u>(6,659,446,126)</u>
(Underfunded)/overfunded pension benefit obligation	<u>(5,970,019,000)</u>	<u>(1,191,621,646)</u>

Ten-year historical trend information showing KTRS's and CERS's progress in accumulating sufficient assets to pay benefits when due is presented in their June 30, 2007 comprehensive annual financial reports.

As the District is only one of several employers participating in the Plan, it is not practicable to determine the District's portion of the unfunded past service cost or the vested benefits of the District's portion of the Plan assets.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K), and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE I – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers' Compensation insurance.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days' notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

Construction Fund	169,214
School Food Service Fund	76,441

NOTE M – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE N – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	21,163
Operating	Building	Debt Service	Debt Service	486,127
Operating	General	Construction	Construction	<u>362,834</u>
				<u>870,124</u>

NOTES O – INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2008, consisted of the following individual fund receivables and payables:

None

WASHINGTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	CAPITAL OUTLAY FUND	DEBT SERVICE	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:			
Cash & Cash Equivalents	843,450	1,154	844,604
Accounts Receivable:			
Taxes			
Accounts			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>843,450</u>	<u>1,154</u>	<u>844,604</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable			
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:			
Reserved for:			
Encumbrances			
Site-Based Carryforward			
Accrued Sick Leave			
Unreserved - Reported in Non-Major	162,790		162,790
Capital Projects Fund	680,660		680,660
Debt Service Fund		1,154	1,154
Other Purposes			0
Total Fund Balances	<u>843,450</u>	<u>1,154</u>	<u>844,604</u>
TOTAL LIABILITIES AND NET ASSETS	<u>843,450</u>	<u>1,154</u>	<u>844,604</u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
COMBING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>CAPITAL OUTLAY FUND</u>	<u>DEBT SERVICE</u>	<u>TOTAL NON-MAJOR GOVERNMENT FUNDS</u>
REVENUES:			
Taxes			0
Earnings from Investments			0
Intergovernmental - State	162,790	116,737	279,527
Intergovernmental - Federal			0
Other Sources			0
TOTAL REVENUES	<u>162,790</u>	<u>116,737</u>	<u>279,527</u>
EXPENDITURES:			
Instructional			0
Student Support Services			0
Staff Support Services			0
District Administration			0
School Administration			0
Business Support Services			0
Plant Operations & Maintenance			0
Student Transportation			0
Central Office			0
Community Service Operations			0
Facilities Acquisition & Construction			0
Debt Service:			
Principal		4,760,000	4,760,000
Interest		449,293	449,293
TOTAL EXPENDITURES	<u>0</u>	<u>5,209,293</u>	<u>5,209,293</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	162,790	(5,092,556)	(4,929,766)
OTHER FINANCING SOURCES(USES):			
Proceeds from Sale of Bonds		4,607,583	4,607,583
Proceeds from Sale of Assets			0
Operating Transfers In		486,127	486,127
Operating Transfers Out			0
TOTAL OTHER FINANCING SOURCES(USES)	<u>0</u>	<u>5,093,710</u>	<u>5,093,710</u>
NET CHANGE IN FUND BALANCES	<u>162,790</u>	<u>1,154</u>	<u>163,944</u>
FUND BALANCES - BEGINNING	<u>680,660</u>	<u>0</u>	<u>680,660</u>
FUND BALANCES - ENDING	<u><u>843,450</u></u>	<u><u>1,154</u></u>	<u><u>844,604</u></u>

See independent auditor's report and accompanying notes to financial statements.

WASHINGTON COUNTY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

<u>SCHOOL</u>	<u>FUND BALANCE JULY 1, 2007</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE JUNE 30, 2008</u>
Fredericktown Elementary	969	10,922	7,790	4,101
North Washington Elementary	25,743	91,692	94,072	23,363
Washington County Elementary	28,095	30,987	33,432	25,650
Washington. County Middle School	8,827	73,803	73,541	9,089
Washington. County High School	<u>78,078</u>	<u>303,485</u>	<u>297,965</u>	<u>83,598</u>
	<u>141,712</u>	<u>510,889</u>	<u>506,800</u>	<u>145,801</u>

WASHINGTON COUNTY SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>CASH BALANCES JULY 1, 2007</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>CASH BALANCE JUNE 30, 2008</u>	<u>ACCOUNTS RECEIVABLE JUNE 30, 2008</u>	<u>ACCOUNTS PAYABLE JUNE 30, 2008</u>	<u>FUND BALANCE JUNE 30, 2008</u>
Community Services	573		573	-			-
AP Classes	640	4,115	4,755	-			-
Afro-American Club	27			27			27
Art	326	1,290	1,543	73			73
Athletic	1,941	53,768	55,000	709			709
19th District Account	718	112	830	-			-
Track	435			435			435
Athletic Travel Assoc.	-	5,291	5,291	-			-
WCHS Girls Softball	2,467	8,746	9,975	1,238			1,238
Athletic BB (B) SP	43	1,350	1,390	3			3
Athletic BB (G) SP	72	600	630	42			42
Band	512	900	34	1,378			1,378
Choir	249			249			249
WCHS Baseball	1,843		1,082	761			761
BETA Club	2,371	1,208	1,536	2,043			2,043
Parking Pass	1,027	1,840	2,409	458			458
Business Education	-			-			-
Cheerleaders	277	29,025	25,141	4,161			4,161
Soccer	119			119			119
Boys Golf	-	76		76			76
CATS Assessment	513	-	-	513			513
Florida Expedition	59	257		316			316
Concessions	262	10,778	10,748	292			292
D.E.C.A.	1,365	19,521	18,478	2,408			2,408
English	236	2,368	2,380	224			224
Drama	36	2,099	754	1,381			1,381
Journalism	34	600		634			634
Faculty	956	-	838	118			118
FFA	654	19,326	15,671	4,309			4,309
FCCLA	2,618	31,916	33,553	981			981
General	1,800	21,000	21,127	1,673		(371)	1,302
Textbook Fees	9,834	11,280	2,708	18,406			18,406
Library	1,202	5,219	5,461	960			960
Math	149			149			149
PEP Club	-	1,005	804	201			201
Physical Education	12			12			12
Project Graduation	5,797	15,440	17,638	3,599			3,599

Resource Room	295	675	696	274			274
Science	1,839			1,839			1,839
Social Studies	34			34			34
Spanish Club	126	1,283	456	953			953
French Club	151	1,760	1,716	195			195
National Honor Society	284	980	640	624			624
Student Council	20	203		223			223
Locker Fees	212	1,411	662	961			961
Vocational Agriculture	-			-			-
WCHS Volleyball	1,551	3,765	4,641	675			675
Yearbook	12,686	7,418	7,321	12,783			12,783
Greenhouse	9,679	10,386	12,653	7,412			7,412
FFA Relay for Life	40			40			40
Reid Thompson Scholarship	1,125		1,125	-			-
Art Club	88	-	-	88			88
Arts and Humanities	80			80			80
FCA	-	200	200	-			-
Prom	1,802	5,518	5,908	1,412			1,412
Tim King (Magazine)	378	7,078	7,295	161			161
Jason Curtsinger Sch	3			3			3
Academic Team Club	499			499			499
STLP	-	15		15			15
CBWTP	-	500	405	95			95
DECA - Region II	-	1,803	1,270	533			533
WCHS Football	2,708	19,364	19,385	2,687			2,687
WCHS Football Benevolent	2,191		310	1,881			1,881
WCHS Football Uniforms	-			-			-
WCHS Football Camp	5,040	3,050	5,536	2,554			2,554
Total All Funds	79,998	314,539	310,568	83,969	-	(371)	83,598
Interfund Transfers	-	(11,054)	(11,054)	-	-	-	-
Total	79,998	303,485	299,514	83,969	-	(371)	83,598

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>MUNIS PROJECT NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Education</u>			
Passed-Through Department of Education			
Title I	84.010	3107	136,165
Title I	84.010	3108	290,387
Title I-C, Voc & Tech Education	84.002	3488	13,563
Title I Part D, Subpart 2 (N&D)	84.010	3146	12,433
Title I Part D, Subpart 2 (N&D)	84.010	3147	73,724
Title I Part A School Improvement	84.010	3206	2,784
Title I Part A School Improvement	84.010	3207	12,869
Title I Supplemental	84.010	3208	2,954
Title I Cluster			544,879 *
Title V - Innovative Prog. Strategies	84.298	3348	2,677
IDEA - Basic	84.027	3377	122,299
IDEA- Basic	84.027	3378	268,737
IDEA - Preschool	84.173	3437	26,936
IDEA - Preschool	84.173	3738	668
Special Education Cluster			418,640 *
Title III, Lmted English Proficiency	84.365	3456	3,216
Title III, Lmted English Proficiency	84.365	3457	4,573
Title III			7,789
Community Based Work Transition	84.234	3717	8,000
Community Based Work Transition	84.234	3718	16,364
Community Based Work Transition			24,364
Justice-Drug Free Community Support	93.276	5006	13,595
Justice-Drug Free Community Support	93.276	5007	31,717
Justice-Drug Free Community Support	93.276	5008	71,988
Justice-Drug Free Community Support			117,300 *
Title II Part A Teacher Quality	84.336	4017	65,704
Title II Part A Teacher Quality	84.336	4018	44,045
Title II Part A Teacher Quality			109,749
Basic Grant, Title IIC	84.unknown	3487A	492
Title IV - Safe & Drug Free Schools	84.186	4067	1,677
Title IV - Safe & Drug Free Schools	84.186	4068	7,212
PEP II Grant	84.unknown	4217B	3,182
Title II Part D Education Technology	84.318	4256	279
Title II Part D Education Technology	84.318	4257	367
Striving Readers	84.371	6947	123,579
Reading First Professional Development	84.286	5087P	25,000
WCES 21st CCLC Springboard	84.287	5506W	15,428
WCES 21st CCLC Springboard	84.287	5507W	72,479
NWES 21st CCLC Best	84.287	5507N	64,580
NWES 21st CCLC Best	84.287	5508N	42,231
Service Learning Grant	84.287	6757	2,326
Service Learning Grant	84.287	6758	4,285
			201,329
Total U.S. Department of Education			1,588,515
<u>U.S. Department of Agriculture</u>			
Passed-Through State Department of Education			
National School Lunchroom	10.555	7690024-07	2,372
National School Lunchroom	10.555	7740023-07	22,903
National School Lunchroom	10.555	7750002-07	81,043
School Breakfast Program	10.553	7750002-08	271,085
School Breakfast Program	10.553	7760005-07	22,140
School Breakfast Program	10.553	7760005-08	83,346
Child Nutrition Cluster			482,889
Passed-Through State Department of Agriculture			
In-Kind Contributions	10.550	N/A	51,904
Total U.S. Department of Agriculture			534,793
Total Federal Financial Assistance			2,123,308

* Tested as major program

WASHINGTON COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of federal awards includes the federal grant activity of the Washington County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of audit issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs?

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010/84.002	Title I Cluster
82.027/82.173	Special Education Cluster
93.276	Justice-Drug Free Community Support

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

SECTION II – FINANCIAL STATEMENT OF FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

WASHINGTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2008

No matters were reported.

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Charles M. White, CPA

Email cmwcpa@windstream.net

September 22, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Education
Washington County School District
Springfield, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District, as of and for the year ended June 30, 2008, which collectively comprise the Washington County School District's basic financial statements and have issued our report thereon dated September 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washington County School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington County School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Washington County School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Washington County School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Washington County School District's financial statements that is more than inconsequential will not be prevented or detected by the Washington County School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Washington County School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Washington County School District in a separate letter dated September 22, 2008.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, members of the Board of Education of Washington County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely

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September 22, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Education
Washington County School District
Springfield, Kentucky

Compliance

We have audited the compliance of Washington County School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Washington County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Washington County School District's management. Our responsibility is to express an opinion on Washington County School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Washington County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Washington County School District's compliance with those requirements.

In our opinion, Washington County School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Washington County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Washington County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Washington County School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Washington County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Washington County School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, members of the Board of Education of Washington County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

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September 22, 2008

MANAGEMENT LETTER

Members of the Board of Education
Washington County School District
Springfield, Kentucky

In planning and performing our audit of the financial statements of Washington County School District for the year ended June 30, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

Prior Year Recommendation

It was noted during the course of the audit that some invoices for lunchroom purchases were not signed by the receiving party. We recommend that all invoices be signed by the receiving party as proof that all items invoiced were received.

Any invoices for lunchroom purchases examined during the current year audit had been signed.

Prior Year Recommendation

It was noted during the course of the audit that some checks written from the school activity funds at various schools did not have the required dual signatures. We recommend that the District communicate to all principals that all checks written require dual signatures prior to releasing the funds

School activity fund checks examined during the current year audit had the required dual signatures.

Recommendation

It was noted during the course of the audit that some of the activity fund disbursements for Washington County Elementary School were not supported by appropriate documentation. We recommend that the District communicate with all principals the importance of maintaining supporting documentation and reviewing that documentation prior to the activity fund checks being signed and mailed to vendors.

Management Response

The superintendent will meet with the principal and bookkeeper at Washington County Elementary School to stress the importance of maintaining supporting documentation for all expenses. All principals and bookkeepers have been trained on Activity Account Redbook procedures, and the superintendent will communicate further the importance of following these procedures.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to perform any additional study of these matters or to assist you in implementing the recommendations.

Sincerely,

Certified Public Accountants

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Charles M. White, CPA

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September 22, 2008

Members of the Board of Education
Washington County School District
Springfield, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington County School District for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133:

As stated in our engagement letter dated March 27, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Washington County School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expression our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Washington County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Washington County School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Washington County School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Washington County School District's compliance with those requirements.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Washington County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Washington County Board of Education and management of Washington County School District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Certified Public Accountants